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SECURITIES AND EXCHANGE COMMISSION

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Submission for OMB Review; Comment Request

Upon Written Request Copies Available From:

Securities and Exchange Commission  
Office of Investor Education and Advocacy  
Washington, DC 20549-0213

Extension: Rule 15c3-4

SEC File No. 270-441, OMB Control No. 3235-0497

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) (the “Paperwork Reduction Act”), the Securities and Exchange Commission (the “Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of an extension of the previously approved collection of information discussed below.

Rule 15c3-4 (17 CFR 240.15c3-4) (the “Rule”) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (the “Exchange Act”) requires certain broker-dealers that are registered with the Commission as OTC derivatives dealers, or who compute their net capital charges under Appendix E to Rule 15c3-1 (17 CFR 240.15c3-1) (“ANC firms”), to establish, document, and maintain a system of internal risk management controls. The Rule sets forth the basic elements for an OTC derivatives dealer or an ANC firm to consider and include when establishing, documenting, and reviewing its internal risk management control system, which are designed to, among other things, ensure the integrity of an OTC derivatives dealer’s or an ANC firm’s risk measurement, monitoring, and management process, to clarify accountability at the appropriate organizational level, and to define the permitted scope of the dealer’s activities and level of risk. The Rule also requires that management of an OTC derivatives dealer or an ANC firm must periodically review, in accordance with written procedures, the firm’s business activities for consistency with its risk management guidelines.

The staff estimates that the average amount of time a new OTC derivatives dealer will

spend establishing and documenting its risk management control system is 2,000 hours and that, on average, a registered OTC derivatives dealer will spend approximately 200 hours each year to maintain (e.g., reviewing and updating) its risk management control system.<sup>1</sup> Currently, four firms are registered with the Commission as OTC derivatives dealers. The staff estimates that approximately four additional entities may become registered as OTC derivatives dealers within the next three years. Thus, the estimated annualized burden would be 800 hours for the four OTC derivatives dealers currently registered with the Commission to maintain their risk management control systems,<sup>2</sup> 2,666 hours for the four new OTC derivatives dealers to establish and document their risk management control systems,<sup>3</sup> and 400 hours for the four new OTC derivatives dealers to maintain their risk management control systems.<sup>4</sup> Accordingly, the staff estimates the total annualized burden associated with Rule 15c3-4 for the eight OTC derivatives dealers will be approximately 3,866 hours annually.

The staff believes that the cost of complying with Rule 15c3-4 will be approximately \$279 per hour.<sup>5</sup> This per hour cost is based upon an annual average hourly salary for a compliance manager who would be responsible for ensuring compliance with the requirements of Rule 15c3-4. Accordingly, the total annualized cost for all affected OTC derivatives dealers

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<sup>1</sup> This notice does not cover the hour burden associated with ANC firms, because the hour burden for ANC firms is included in the Paperwork Reduction Act collection for Rule 15c3-1, which requires ANC firms to comply with specific provisions of Rule 15c3-4 in Appendix E to Rule 15c3-1. See 17 CFR 240.15c3-1(a)(7)(iii), 17 CFR 240.15c3-1e(a)(1)(ii), and 17 CFR 240.15c3-1e(a)(1)(viii)(C).

<sup>2</sup> (200 hours x 4 firms) = 800.

<sup>3</sup> (2000 hours x 1.333 firms) = 2,666.

<sup>4</sup> (200 hours x 4 firms x / 2) = 400 {the number is divided by two to show an average, since it is assumed that the four new OTC derivatives dealers will register in even intervals over the three years}.

<sup>5</sup> The \$279 per hour salary figure for a compliance manager is from SIFMA's Management & Professional Earnings in the Securities Industry 2011, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

is estimated to be \$1,078,614.<sup>6</sup>

The records required to be made by OTC derivatives dealers pursuant to the Rule and the results of the periodic reviews conducted under paragraph (d) of Rule 15c3-4 must be preserved under Rule 17a-4 of the Exchange Act (17 CFR 240.17a-4) for a period of not less than three years, the first two years in an easily accessible place. The Commission will not generally publish or make available to any person notice or reports received pursuant to the Rule. The statutory basis for the Commission's refusal to disclose such information to the public is the exemption contained in section (b)(4) of the Freedom of Information Act, 5 U.S.C. 552, which essentially provides that the requirement of public dissemination does not apply to commercial or financial information which is privileged or confidential.

The Commission may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the Paperwork Reduction Act that does not display a valid OMB control number.

Background documentation for this information collection may be viewed at the following website: [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, D.C., 20503, or by sending an email to: (i) [Shagufta\\_Ahmed@omb.eop.gov](mailto:Shagufta_Ahmed@omb.eop.gov); and (ii) Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, Virginia 22312 or send an e-mail to [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Kevin M. O'Neill

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<sup>6</sup> 3,866 hours x \$279 per hour = \$1,078,614.

Deputy Secretary

March 4, 2013

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